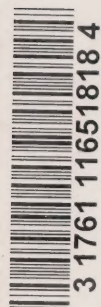




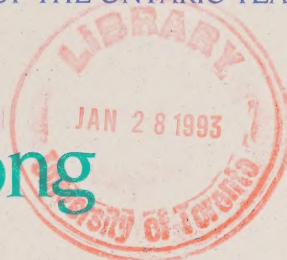
CA20N  
DE180  
-E81

# EXCHANGE

A NEWSLETTER FOR MEMBERS OF THE ONTARIO TEACHERS' PENSION PLAN



## 75 Years Strong



In 1917, after 32 years of negotiation between teachers and government, the Ontario teachers' pension plan was launched. Among the first of its kind in Canada, the pension plan has developed into one of the largest and strongest, with assets of \$27-billion in 1992.



Yes, contributions have increased over the years, but benefits have improved considerably, too.

Pension laws have evolved to reflect the changing face of society. Before 1971, for example, a surviving husband was not entitled to benefits unless he was disabled and financially dependent on his wife.


### WHAT MAKES US UNIQUE

- Teachers and the government are equal partners and share financial responsibility
- Part-time and occasional teachers get qualifying years towards their 90 factor
- Largest single Canadian pension plan with assets invested in open market
- Proactive communications – mailed directly to teachers' homes.



**In 1992, we paid benefits to 40,352 pensioners**

*Almost 20% are over 80 years old.*

- 23 are over 100
- 961 are in their 90s
- 6,500 are in their 80s 

### Then

#### 1917

- Pension formula: credited service x 1.66% of "best 10" years salary
- Unreduced pension after 40 years of teaching
- Contribution rate 2.5%; matched by the government
- Maximum pension \$1,000 per year
- Pension assets invested solely in Ontario government debentures
- No inflation protection
- No survivor benefits

### ...and Now

#### 1992

- Pension formula: credited service x 2% of "best 5" years salary
- Annual inflation protection
- Unreduced pension at 90 factor (e.g. 55 years of age plus 35 years' service)
- Reduced pension any time after 55 years of age
- 50 – 75% survivor pension to spouse
- Survivor benefits to eligible children and beneficiaries
- Credit towards 90 factor for part-time teachers
- Contribution rate 8.9%; matched by the government

### INSIDE THIS ISSUE

- **Tax Tip:** pay for buyback before April 30, p. 5
- **Will the plan run dry before you retire?** p. 7
- **Proposed Ontario Investment Fund gets the thumbs down,** p. 4
- **Real-life retirement stories,** p. 6



# Ask Us a Question

## COURT APPEAL COULD TAKE TWO YEARS

*Over a year ago you ran an article saying the pension board was planning to appeal a court decision which would allow occasional teachers to buy credit. Can you bring us up-to-date on this issue?*

*D. B., North Bay*

The court granted the pension board permission to appeal the ruling in October 1991, and we are now waiting for a hearing date. The

queue is long – probably a year or two. However, we're also 'on standby', ready to be slotted in earlier if there is a cancellation.

## SAME-SEX SPOUSES NOT ENTITLED TO SURVIVOR BENEFITS


*The Ontario Human Rights Commission recently ordered survivor benefits for same-sex couples. Will teachers be entitled to these benefits?*

*L.T., Toronto*

The case you're referring to involves Michael Leshner, a civil servant and member of the Ontario Pension Plan. Mr. Leshner complained to the Ontario Human Rights Commission that his employer was discriminating against him on the basis of sexual orienta-

tion by refusing to extend survivor benefits to his same-sex spouse. The Commission's board of inquiry agreed, and ordered the government to provide Mr. Leshner's spouse the same (or equivalent) benefits as a heterosexual spouse.

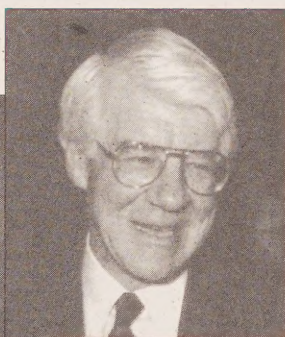
The government has decided not to appeal the decision. However, the ruling applies only to the Ontario Pension Plan. The Teachers' Pension Plan is still governed by provincial and federal laws which define a spouse as a person of the opposite sex.

Will the same-sex spouses of teachers qualify for survivor benefits in the future? That will depend mainly on whether the applicable laws are changed to reflect the Leshner and other similar decisions. We'll keep you informed. 

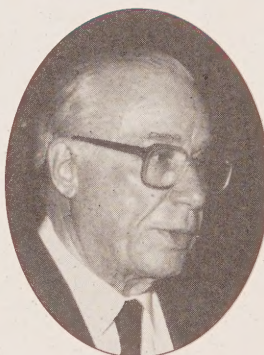
## Working together



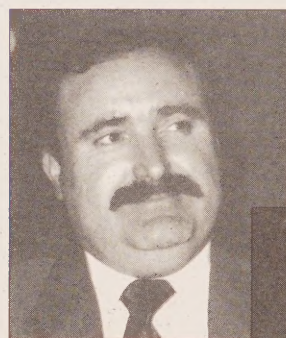
Margaret Wilson, Secretary-Treasurer of OTF, was appointed to the Board of Directors in 1990.



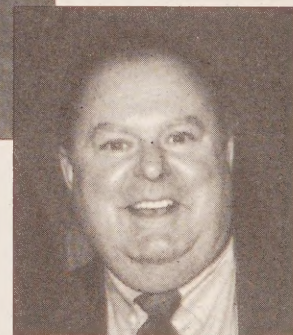
Ted Medland, former CEO of Wood Gundy Inc., has been on the Board since 1990 and chairs the Investment Committee.



Gerald Bouey, former governor of the Bank of Canada, is the Chairperson of the Board of Directors.



Horst Schweinbenz, as President of OTF, is on the Partners Committee.



Doug McAndless, past President of OTF, is on the Board of Directors and chairs the Audit and Actuarial Committee.

TEACHERS AND GOVERNMENT HAVE BEEN EQUAL PARTNERS SINCE 1992



# Job-hoppers, Part-timers Need to Plan Earlier than Career Teachers

**V**olunteering, sailing around the world, cycling through Europe, living half of every year in Florida, playing golf seven days a week, starting a business... Are these visions of retirement realistic or just a pipe dream?

## FOR THE AVERAGE CAREER TEACHER, THE OUTLOOK FOR RETIREMENT IS ROSY

► Joe Average began his teaching career at 23 and has worked full-time since then. He is now 53. Joe's wife, Jane, also belongs to a pension plan. Joe and Jane burned their mortgage three years' ago and their children have moved out of the house and are supporting themselves. Joe and Jane also have some savings.

Joe and Jane have good reason to believe they will be able to maintain their standard of living during retirement. Joe can retire at 58 with a lifetime pension of \$42,000 (plus annual inflation). This is equal to 70 per cent of his best five years' salary of \$60,000. Jane can retire at 60 with a 65-per-cent pension. With no mortgage to pay, this pension income will go a long way towards providing the financial security they need. However, it is still important for them to think in concrete terms about what they want to do in retirement and how much it will cost.

## SURVEY SAYS...

- ✓ Three-quarters of working Canadians believe their standard of living after retirement will be the same or better than it was before retirement.



- ✓ Most expect to retire before age 65

yet

- ✗ Only a quarter say they are doing enough planning for retirement.

Source: Towers Perrin, Golden Dreams

## BUT WHAT IF YOU'RE NOT JOE OR JANE AVERAGE?

► Bob Jobhopper went into teaching at 32 after dabbling in a number of different jobs after university. He had no previous pension contributions and no savings to speak of. He is now 34, and can't see himself teaching beyond 55. His wife, Hazel, is a self-employed artist with an unpredictable income. In a couple of years they plan to buy a house and start a family.

Bob and Hazel's retirement prospects are uncertain. If Bob teaches full-time until he's 65,

he'll be eligible for a 66-per-cent pension. But if he follows through on his plan to retire from teaching at 55, he won't have his 90 factor and his pension will drop down to 46 per cent – at a time when the house may still be mortgaged and the children still in school. Hazel won't have a pension. Rather than leaving things to chance and hoping for the best, Bob and Hazel could start planning now so that a financial safety net will be in place by the time they retire.

► Carol Childraiser started teaching when she was 21. At 23, she had the first of three children. Over the next 15 years she did some supply teaching, and then returned to teaching half-time. She is now 48, but has only eight years' credit in the pension plan. Last year, Carol and her husband divorced.

Carol needs to take a hard look at the future. If she continues to teach half-time, she will be eligible for only a 33-per-cent pension when she is 65. This would rise to 50 per cent if she switched to full time. By doing some serious planning and saving now, Carol could increase her chances of a comfortable retirement.

## START PLANNING NOW

The point is that everyone needs to assess their situation and prospects now and start planning for retirement. In future issues of *Exchange* we'll explain some of the basics and tell you where to look for information and advice. ■



# Ontario Investment Fund Gets Thumbs Down

**D**espite widespread recognition of the need for growth companies in Ontario to be revitalized, the provincial government has failed to win support for a proposal which would see public pension plans voluntarily investing \$300 million a year in these companies via a centralized Ontario Investment Fund (OIF).

In August we added the Teachers' Pension Plan to the list of public pension plans which have declared their intention not to invest in the Ontario Investment

Fund. Our announcement followed careful consideration and independent analysis of the proposal which was released by the government in April.

We believe the OIF as proposed is unnecessary, for the following reasons:

► **ESTABLISHED Ontario growth companies are already attracting sufficient capital**

The Teachers' Pension Plan, the Ontario Municipal Employees Retirement System (OMERS) and

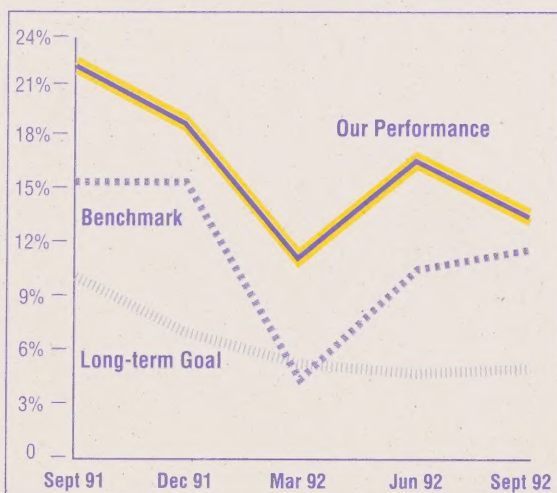
Ontario Hydro alone are injecting approximately \$200 million a year into private growth companies. Investing in the OIF would simply cause a reallocation of these funds.

► **Investing in NEW Ontario growth companies via existing venture capital funds is unattractive to pension plans**

Those pension plans which invested heavily in venture capital funds during the 1980s experienced disappointing returns. Fundamental problems, such as the inexperience of many venture fund managers and the limited supply of successful entrepreneurial managers, will not disappear with the recovery of the economy nor with the appearance of the OIF. 🍎

## THIRD QUARTER INVESTMENT REPORT (to the end of September 1992)

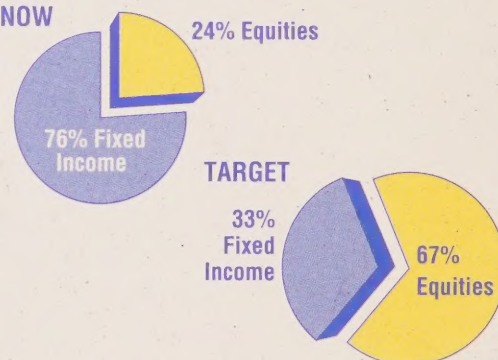
### FUND PERFORMANCE • Rate of return



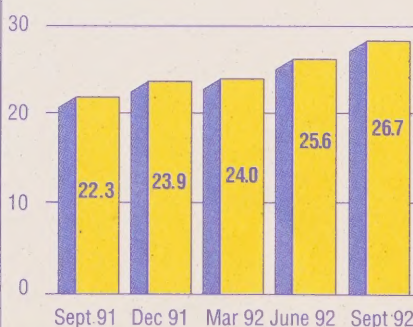
**T**he rate of return on our investments was 13.3% for the year ending September 30. With inflation at about 1%, that's a real rate of return of 12.3% – well above our goal of beating inflation by 4.5%.

### ASSET MIX NOW

**W**e're gradually diversifying two-thirds of our assets from fixed-income securities (e.g. debentures) into equities such as stocks and real estate.



### Billions of dollars



### TOTAL MARKET VALUE

**T**he market value of investments increased \$900 million from the previous quarter, and \$4.4 billion from the previous year.




## TaxTalk

### OUR TAX EXPERT ANSWERS YOUR QUESTIONS

**Q** I'm leaving the country and won't be returning to teaching. Can I transfer my contributions directly to an RRSP and thus avoid paying tax?

**A** Yes. As long as you transfer the amount in one lump sum directly to an RRSP in Canada the money won't be included in your income and therefore won't be taxable until you withdraw it from the RRSP.

**Q** I am considering taking out a bank loan to pay for a purchase of credit as the interest charged by the bank is currently lower than the interest charged by the pension plan. Is the interest charged on the bank loan tax-deductible?

**A** No. Interest on money borrowed to contribute to an RRSP or pension plan is not deductible. However, the interest we charge on the unpaid balance is considered part of your contributions and is tax deductible as long as the total payment of principal and interest is less than \$3,500 per calendar year. 

## Buying Credited Service? Pay by April 30 for Tax Advantage


**Y**ou've decided to buy credit for that sabbatical or maternity leave you're planning to take so you won't lose any credit in your pension. Now you need to know how much of your payment is tax deductible and how it will affect your RRSP contribution limits.

Here are some general guidelines.

### ABSENCES AFTER DECEMBER 31, 1989


- As long as you pay during your absence, or by April 30 of the following year, the entire pay-

ment is tax deductible regardless of your income. However, unless the amount of credit purchased is very small, you won't have any room left to contribute to an RRSP in the following year.

- If you pay after April 30 of the year following your return to teaching, Revenue Canada may either restrict the amount of service you can buy or restrict the amount you can contribute to an RRSP in future years. 

### RRSP LIMITS

**H**ow do you find out how much you can pay into your RRSP for 1992?

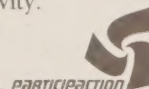
- Follow this rough guide: a full-time teacher earning up to \$86,111 can contribute about \$2,800 for 1992.
- Look back at the Notice of Assessment that Revenue Canada sent you after you filed your 1991 tax return. Your RRSP room for 1992 is indicated.
- Call your local Revenue Canada TIPS line listed in the tax guide. 

#### THE FACTS OF LIFE

### Stairway to health



Climbing stairs uses about 10 calories per minute - more energy than almost any other activity.





## REAL-LIFE RETIREMENT

**L**ife after teaching...  
What's it like? What do people do, other than play-

ing golf and pining for the classroom? Here's Part One of a series of stories by retired teachers who have found fulfilling ways to live out their retirement and – in some cases – their dreams.

### FORMER FRENCH TEACHER OPENED BOOKSTORE TO HELP HAITI'S POOR

*"I'd always enjoyed* the teaching profession and the challenges of work so I wasn't really looking forward to retirement until I found an

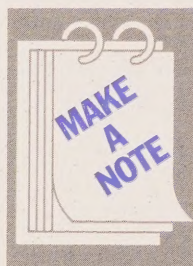
appealing meld of circumstances that bring me pleasure, interest and a sense of fulfillment.

"I had spent the summer of 1986 in Haiti with Project Overseas and on my return, determined to help the education of these very underprivileged children, I opened a charity book store. People donated books, I sold them, the profit went to education in Haiti.

"Since retirement in June 1991, I rented an old ex-motel on #3 Highway between Simcoe and Tillsonburg and with the aid of volunteers the store is open seven afternoons a week. Already we have over 12,000 books, a flood of loyal clients and donors, and are raising funds for Haiti.

"Our contacts in Haiti are much encouraged and I have been invited to teach a course over there this summer. Life is never dull. For example, one client today brought in 300 excellent paperbacks, another wants me to copy edit his masters thesis; I handle requests for the weirdest of books and I deal with the most interesting and interested strata of society, the readers and thinkers. I have been very lucky." ■

### PAYMENT DEADLINE NEARS



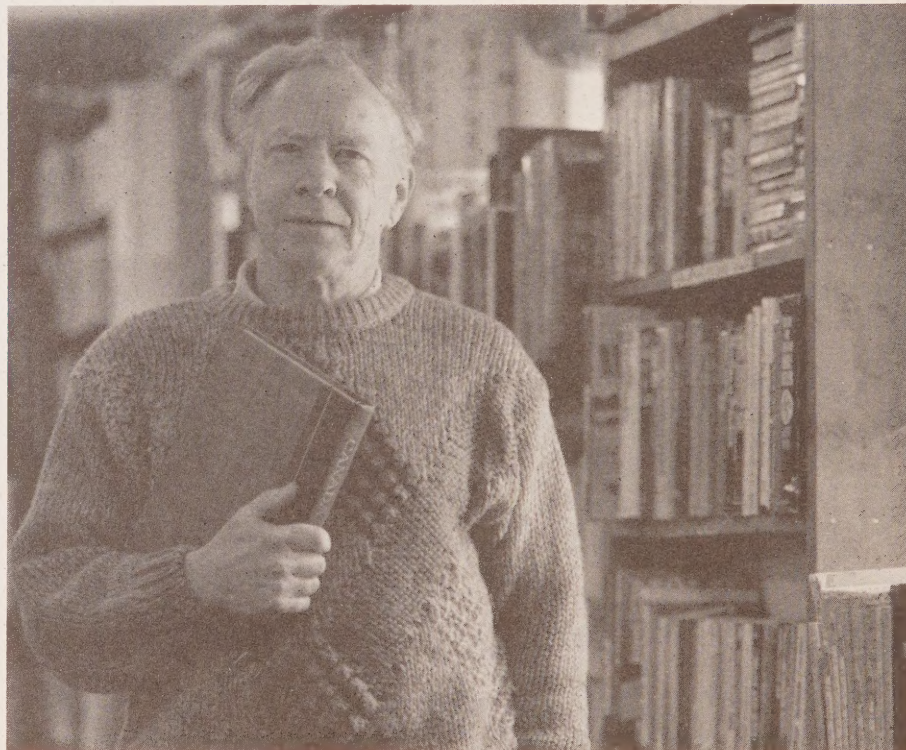
*If you applied to buy credit before 1992:*

- You must complete all payments by December 31, 1994.

• The deadline for getting back-up documents to us was September 30, 1992. However, we have extended the deadline for those of you who are still trying to get documents from foreign countries.

*If you applied after 1991:*

- If you buy credit after your absence rather than paying on an ongoing basis, you must pay in one lump sum. We can't accept instalment payments. ■



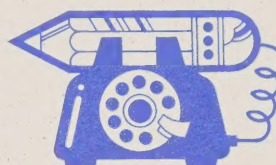
Bernie Crawshaw, former Head of Modern Languages at Valley Heights Secondary School, has run Fernlea IVIX Non-Profit Books in Delhi, Ontario, since retiring in 1991. The proceeds go to educating underprivileged children in Haiti.






## LET'S KEEP IN TOUCH

In October over 5,000 teachers' annual statements were returned to us because of out-of-date addresses. That's on top of 5,000 last year and 3,000 the year before... The only



way we can reach you is if you tell us your address (your employer doesn't do it for you). So next time you move, please don't forget to let us know. How about adding us to your address book now so we'll be on your list for a change-of-address card? 

“The pension plan will dry up long before we retire.”

### CONSIDER THIS:


- We have a reserve of more than 30 times the amount we need each year to pay pensions. Compare this with the Canada Pension Plan, which currently only has a few years' reserves.
- The plan's past deficit will be paid off by the government over the next 40 years. We've set the contribution rate and target investment return to avoid a deficit in the future. We'll reassess these periodically to ensure we're still on track.
- Tempted to take the money and run? Annual inflation increases, survivor benefits and early retirement options don't come cheap. Independent experts say it's almost impossible to take your money, invest it yourself and be able to afford an equivalent annuity.

## THREE SMALL STEPS...

**Recycle** As promised in our last issue, Exchange is now printed on paper made of 100% recycled post-consumer waste. It's called Sandpiper and it's made in Canada.

**Reduce** We had to use an envelope for this mailing as we in-

cluded a copy of our new brochure, but we're planning to save paper by sending you the next issue without an envelope.

**Reduce** If you and your spouse are both teachers and would like to receive a single copy of our publications, please fill in the card below and return it to us. We hope to put this system into place in 1993. 

*If you've already contacted us, you don't need to fill this in.*

# YES!

**We're both teachers and we'd like one copy of your publications instead of two. You will continue to send us separate copies of personalized information such as our Annual Statement.**

NAME \_\_\_\_\_ NAME \_\_\_\_\_

SIN \_\_\_\_\_ SIN \_\_\_\_\_

ADDRESS \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_






## NEW TRANSFER AGREEMENT BETWEEN MAJOR PLANS

**E**ight major pension plans in Ontario have reached an agreement that will make it easier for members to transfer their pension benefits when they move from one employer to another. Effective January 1, 1993, members will be able to transfer pension benefits under the new Major


Ontario Pension Plans (MOPPs) portability agreement.

### WHICH PLANS ARE COVERED?

- Hospitals of Ontario
  - Ontario Hydro
  - Ontario Municipal Employees
  - Ontario Teachers'
  - Ontario Public Service
  - College of Applied Arts and Technology
  - Ryerson Polytechnical Institute
  - Workers' Compensation Board
- More details to come in the next issue of *Exchange*. 

## PLAN NOW, RELAX LATER

**W**ant some tips on retirement and financial planning? Come along to one of the weekend workshops offered by your federation. We'll be there to give you an overview of the pension plan.

For more information, contact your federation or association. 

### WORKSHOP SCHEDULE

Jan. 15-16	Metro Toronto
Jan. 29-30	Oshawa
Feb. 12-13	Ottawa
Feb. 26-27	London
Mar. 26-27	Belleville
Apr. 23-24	Kapuskasing
May 14-15	Thunder Bay



Enclosed  
you'll find  
our new booklet  
**Your Pension  
Plan Guide.**  
We encourage  
you to read it  
and keep it for  
future reference.

### EXCHANGE

is a publication prepared by the Ontario Teachers' Pension Plan Board. We welcome your comments and suggestions. Feel free to call the editor, Jackie King, at (416) 730-5351 or write to:

**Communications Department  
Ontario Teachers'  
Pension Plan Board  
5650 Yonge Street, Suite 300  
North York, Ontario M2M 4H5**

### OFFICE HOURS

Monday to Friday  
8:00 am to 5:30 pm

### TELEPHONE

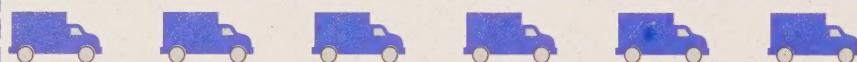
(416) 226-2700 or 1-800-668-0105

### PHONE-A-MEMO

Our 24-hour recorded info service  
(416) 226-4200 or 1-800-387-0945

The information contained  
in this newsletter was accurate  
at the time of printing.

ISSN: 1180-3355



## MOVING?

## DON'T FORGET TO SEND US YOUR NEW ADDRESS

All our publications are now sent to you at your home address, including information of personal interest to you, such as your annual statement of contributions. If we don't know where you are, we can't reach you!

NAME \_\_\_\_\_

SIN \_\_\_\_\_

ADDRESS \_\_\_\_\_

